



ROCKVILLE, MARYLAND

MEMORANDUM

February 17, 2010

TO: Nancy Floreen, President, County Council

FROM: Joseph F. Beach, Director, Office of Management and Budget
Jennifer E. Barrett, Director, Department of Finance

SUBJECT: FY10 Second Quarterly Analysis

Attached please find the Second Quarterly Analysis for Montgomery County Government. Except for the departments noted below, expenditures are projected to be within budget or in surplus for tax supported departments and funds in FY10. We are projecting a total tax supported expenditure surplus of \$34.2 million, which is about \$1.5 million more than the approved savings plan goal of \$32.7 million. We are continuing to monitor department spending and may make revisions to this estimate to reflect more up-to-date information with the release of the Executive's recommended budget on March 15.

Second Quarter Expenditure Results

The Board of Elections is estimating a shortfall of nearly \$600,000 due to unanticipated charges from the State Board of Elections for MDVOTERS, field support, and voting system payments.

The Ethics Commission is estimating a shortfall of nearly \$20,000 due to outside legal services to prosecute an ethics complaint pending before the Commission.

The Utilities non-departmental account is estimated to have a shortfall of \$400,000. While the Department of General Services has implemented various conservation measures to meet the Council's unspecified four percent energy cost reduction goal, a substantial portion of the Utilities budget is used to power streetlights and traffic signals, which are not affected by changes in building occupant behavior.

Total Non-Departmental Account expenditures are projected to be within budget; however, the following individual accounts are projected to be over-spent: Compensation and Employee Benefits because of higher than expected unemployment insurance payments; Prisoner Medical Services because of medical claims incurred to date; Risk Management because the current year contribution was higher than originally budgeted; and State Property Tax Services because the actual invoice from the State for property tax services was higher than originally budgeted.

Nancy Floreen, President, County Council
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As previously communicated, snow removal costs this winter have surpassed the \$15 million set-aside, even before the record snowfall over the last two weeks. The recently approved revised savings plan will provide some additional capacity to absorb these unanticipated costs, but the cumulative effect of these storms has significantly increased next year's budget gap. We will provide an update on the set-aside with the release of the Executive's recommended budget on March 15.

Second Quarter Revenue Update

Attached is an update on tax revenue collections through the end of the second quarter.

JFB:ae

c: Isiah Leggett, County Executive
Timothy L. Firestine, Chief Administrative Officer
Kathleen Boucher, Assistant Chief Administrative Officer
All County Government Department Heads and Merit Directors

Attachments: Second Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 12/31/10

FY10 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Tax Supported					
General Fund					
Board of Appeals	617,520	617,520	608,510	9,010	1.5%
Board of Elections	4,468,770	4,468,770	5,066,150	-597,380	-13.4%
Circuit Court	10,410,980	10,410,980	9,996,960	414,020	4.0%
Commission for Women	1,197,670	1,197,670	1,135,600	62,070	5.2%
Consumer Protection	2,442,010	2,442,010	2,348,320	93,690	3.8%
Correction and Rehabilitation	65,414,400	65,414,400	64,753,180	661,220	1.0%
County Attorney	5,224,980	5,224,980	5,215,960	9,020	0.2%
County Council	9,057,090	9,057,090	8,587,630	469,460	5.2%
County Executive	6,399,960	6,399,960	5,921,490	478,470	7.5%
Economic Development	7,628,240	7,628,240	7,232,900	395,340	5.2%
Emergency Management and Homeland Security	1,346,940	1,346,940	1,156,890	190,050	14.1%
Environmental Protection	3,013,960	3,013,960	2,755,260	258,700	8.6%
Ethics Commission	272,390	272,390	292,130	-19,740	-7.2%
Finance	9,751,930	9,751,930	9,346,040	405,890	4.2%
General Services	27,970,950	27,970,950	26,521,340	1,449,610	5.2%
Health and Human Services	194,074,350	194,074,350	187,943,500	6,130,850	3.2%
Housing and Community Affairs	5,066,790	5,066,790	4,803,170	263,620	5.2%
Human Resources	8,522,410	8,522,410	8,246,340	276,070	3.2%
Human Rights	2,160,810	2,160,810	2,041,720	119,090	5.5%
Inspector General	634,730	634,730	601,850	32,880	5.2%
Intergovernmental Relations	877,400	877,400	726,900	150,500	17.2%
Legislative Oversight	1,341,070	1,341,070	1,287,230	53,840	4.0%
Management and Budget	3,703,890	3,703,890	3,560,370	143,520	3.9%
Merit System Protection Board	159,960	159,960	153,450	6,510	4.1%
Non-Departmental Accounts	110,230,320	110,378,370	108,636,220	1,742,150	1.6%
People's Counsel	246,520	246,520	241,120	5,400	2.2%
Police	246,262,150	246,262,610	237,772,030	8,490,580	3.4%
Public Information	1,215,210	1,215,210	1,215,210	0	0.0%
Public Libraries	37,569,400	37,569,400	34,894,860	2,674,540	7.1%
Regional Services Centers	4,140,360	4,140,360	3,658,260	482,100	11.6%
Sheriff	20,631,770	20,631,770	20,379,000	252,770	1.2%
State's Attorney	12,148,340	12,148,340	11,940,040	208,300	1.7%
Technology Services	31,844,190	31,844,190	30,374,880	1,469,310	4.6%
Transportation	46,573,220	46,573,220	44,117,620	2,455,600	5.3%
Utilities	27,282,900	27,282,900	27,682,900	-400,000	-1.5%
Zoning and Administrative Hearings	524,440	524,440	519,940	4,500	0.9%
General Fund Total	910,428,020	910,576,530	881,734,970	28,841,560	3.2 %
Special Funds					
<u>Bethesda Urban District</u>					
Urban Districts	3,380,210	3,380,210	3,278,800	101,410	3.0%

FY10 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Silver Spring Urban District</u>					
Urban Districts	2,891,930	2,891,930	2,680,110	211,820	7.3%
<u>Wheaton Urban District</u>					
Urban Districts	1,660,080	1,660,080	1,610,290	49,790	3.0%
<u>Mass Transit</u>					
Transit Services	108,457,800	108,457,800	108,263,160	194,640	0.2%
<u>Fire</u>					
Fire and Rescue Service	192,974,090	194,739,580	191,235,140	3,504,430	1.8%
<u>Recreation</u>					
Recreation	30,528,520	30,528,520	29,248,950	1,279,570	4.2%
<u>Economic Development Fund</u>					
Economic Development Fund	852,440	2,361,450	2,347,930	13,520	0.6%
Special Funds Total	340,745,070	344,019,570	338,664,380	5,355,180	1.6 %
TAX SUPPORTED TOTAL	1,251,173,090	1,254,596,100	1,220,399,350	34,196,740	2.7 %

Non-Tax Supported

Special Funds

Grant Fund MCG

Circuit Court	2,621,970	2,706,280	2,706,280	0	0.0%
Correction and Rehabilitation	0	100,000	100,000	0	0.0%
County Executive	202,340	202,340	202,340	0	0.0%
Economic Development	2,700,000	2,691,000	2,691,000	0	0.0%
Emergency Management and Homeland Security	0	695,010	695,010	0	0.0%
Fire and Rescue Service	744,530	1,789,900	1,789,900	0	0.0%
Health and Human Services	74,496,390	75,454,970	75,454,970	0	0.0%
Housing and Community Affairs	7,570,110	8,781,830	8,781,830	0	0.0%
Intergovernmental Relations	27,000	27,000	27,000	0	0.0%
Liquor Control	0	24,280	24,280	0	0.0%
Non-Departmental Accounts	20,098,660	12,051,430	12,051,430	0	0.0%
Police	386,250	5,963,300	5,963,300	0	0.0%
Public Libraries	160,120	158,210	158,210	0	0.0%
Recreation	0	26,380	26,380	0	0.0%
Regional Services Centers	150,000	150,000	150,000	0	0.0%
Sheriff	681,350	811,520	811,520	0	0.0%
State's Attorney	318,050	479,640	479,640	0	0.0%
Transit Services	5,488,520	5,645,970	5,645,970	0	0.0%
Grant Fund MCG subtotal	115,645,290	117,759,060	117,759,060	0	0.0 %

Cable Television

Cable Television	11,574,470	11,574,470	11,333,510	240,960	2.1%
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Montgomery Housing Initiative

Housing and Community Affairs	31,140,690	31,140,690	30,206,470	934,220	3.0%
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Water Quality Protection Fund

Environmental Protection	8,895,850	8,895,850	8,472,230	423,620	4.8%
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FY10 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Restricted Donations</u>					
Non-Departmental Accounts	0	1,505,440	241,310	1,264,130	84.0%
Special Funds Total	167,256,300	170,875,510	168,012,580	2,862,930	1.7 %
Enterprise Fund					
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	9,169,440	9,169,440	8,832,800	336,640	3.7%
<u>Bethesda Parking District</u>					
Parking District Services	11,283,280	11,283,280	11,863,680	-580,400	-5.1%
<u>Montgomery Hills Parking District</u>					
Parking District Services	116,430	116,430	112,920	3,510	3.0%
<u>Silver Spring Parking District</u>					
Parking District Services	10,709,410	10,709,410	10,415,780	293,630	2.7%
<u>Wheaton Parking District</u>					
Parking District Services	1,296,320	1,296,320	1,257,440	38,880	3.0%
<u>Permitting Services</u>					
Permitting Services	27,067,180	27,067,180	26,181,610	885,570	3.3%
<u>Solid Waste Collection</u>					
Solid Waste Services	6,739,640	6,739,640	6,589,640	150,000	2.2%
<u>Solid Waste Disposal</u>					
Solid Waste Services	95,722,050	95,722,050	93,245,620	2,476,430	2.6%
<u>Vacuum Leaf Collection</u>					
Transportation	5,247,990	5,247,990	5,230,880	17,110	0.3%
<u>Liquor Control</u>					
Liquor Control	44,495,260	46,703,260	45,702,120	1,001,140	2.1%
Enterprise Fund Total	211,847,000	214,055,000	209,432,490	4,622,510	2.2 %
NON-TAX SUPPORTED TOTAL	379,103,300	384,930,510	377,445,070	7,485,440	1.9 %
TAX AND NON-TAX SUPPORTED TOTAL	1,630,276,390	1,639,526,610	1,597,844,420	41,682,180	4.7 %

Internal Service Funds

Employee Health Benefit Self Insurance Fund

Human Resources	174,300,820	174,300,820	171,612,570	2,688,250	1.5%
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Motor Pool Internal Service Fund

Fleet Management Services	64,694,320	64,694,320	61,163,900	3,530,420	5.5%
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Printing and Mail Internal Service Fund

General Services	6,528,490	6,528,490	6,332,640	195,850	3.0%
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Self Insurance Internal Service Fund

Finance	48,567,480	48,567,480	48,530,020	37,460	0.1%
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INTERNAL SERVICE FUNDS TOTAL	294,091,110	294,091,110	287,639,130	6,451,980	2.2 %
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FY10 2ND QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (2nd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDAs: Tax Supported - County General Fund					
NDA - Arts and Humanities Council	5,069,380	5,070,000	5,070,000	0	0.0 %
NDA - Boards, Committees and Commissions	27,000	27,000	27,000	0	0.0 %
NDA - Charter Review Commission	1,000	1,000	1,000	0	0.1 %
NDA - Climate Change Implementation	656,760	656,760	549,700	107,060	16.3 %
NDA - Community Grants	4,392,320	4,392,320	4,367,320	25,000	0.6 %
NDA - Compensation and Employee Benefits Adjustment	1,312,340	1,312,340	1,427,270	-114,930	-8.8 %
NDA - Conference and Visitors Bureau	700,490	700,490	700,490	0	0.0 %
NDA - Conference Center	617,400	617,400	617,400	0	0.0 %
NDA - Council of Governments	743,370	743,370	743,370	0	0.0 %
NDA - County Associations	72,710	72,710	72,710	0	0.0 %
NDA - Desktop Modernization	6,839,290	6,839,290	5,803,410	1,035,880	15.1 %
NDA - Grants to Munic. in Lieu of Shares Tax	28,020	28,020	28,020	0	0.0 %
NDA - Group Insurance-Retirees	26,039,330	26,039,330	26,039,330	0	0.0 %
NDA - Historical Activities	355,340	355,340	355,340	0	0.0 %
NDA - Homeowners' Association-Roads	87,130	87,130	87,130	0	0.0 %
NDA - Housing Opportunities Commission	6,136,340	6,136,340	6,044,600	91,740	1.5 %
NDA - Independent Audit	394,000	394,000	394,000	0	0.0 %
NDA - ITPCC	5,000	5,000	5,000	0	0.0 %
NDA - Judges Retirement Contribution	3,740	3,740	3,750	-10	-0.2 %
NDA - Leases	19,225,800	19,225,800	18,449,720	776,080	4.0 %
NDA - Montgomery Coalition for Adult English Literacy (MCA)	842,420	842,420	842,420	0	0.0 %
NDA - Motor Pool Fund Contribution	30,000	30,000	30,000	0	0.0 %
NDA - Municipal Tax Duplication	7,488,240	7,488,240	7,482,610	5,630	0.1 %
NDA - Prisoner Medical Services	10,000	10,000	126,550	-116,550	-1,165.5 %
NDA - Public Technology, Inc.	20,000	20,000	20,000	0	0.0 %
NDA - Risk Management	11,510,730	11,510,730	11,560,330	-49,600	-0.4 %
NDA - Rockville Parking District	377,500	524,930	525,720	-790	-0.2 %
NDA - State Positions Supplement	100,940	100,940	100,940	0	0.0 %
NDA - State Property Tax Services	166,300	166,300	183,660	-17,360	-10.4 %
NDA - State Retirement Contribution	981,480	981,480	981,480	0	0.0 %
NDA - Takoma Park Library Annual Payment	132,830	132,830	132,830	0	0.0 %
NDA - Takoma Park Police Rebate	854,920	854,920	854,920	0	0.0 %
NDA - Working Families Income Supplement	15,008,200	15,008,200	15,008,200	0	0.0 %
NDAs: Tax Supported - County General Fund Total	110,230,320	110,378,370	108,636,220	1,742,150	1.6 %
NDAs: Non-Tax Supported - Grant Fund MCG					
NDA - Compensation and Employee Benefits Adjustment	73,660	73,660	73,660	0	0.0 %
NDA - Future Fed/State/Other Grants	20,000,000	11,952,770	11,952,770	0	0.0 %
NDA - Historical Activities	25,000	25,000	25,000	0	0.0 %
NDAs: Non-Tax Supported - Grant Fund MCG Total	20,098,660	12,051,430	12,051,430	0	0.0 %

Montgomery County, Maryland

**SECOND QUARTERLY REVENUE
UPDATE**

Presentation to the Montgomery County Council

Department of Finance



February 17, 2010

Revenue Update

- **First Half Year Results:**

- Total tax collections, including investment income and highway user revenue, totaled \$1,378 million and were 6.0% below the same period in FY09 due primarily to reductions in the income tax and consumption taxes. Excluding property tax revenues, collections were \$394.9 million and down 31.1% from the same period in FY09.
- Income tax collections through December stood at \$282.8 million and approximately \$160.4 million below collections for the same period in FY09.
- The General Fund (G.F.) portion of property tax collections (including penalties and interest) was \$983.5 million (↑10.0%) through December compared to the same period in FY09. The double-digit growth is attributed to an increase in G.F. real property rate (from \$0.661 to \$0.683).

- **Transfer and Recordation Taxes:**

- Collections from the transfer tax (excluding condominium conversions) through December of FY10 were \$39.3 million, or 5.9% above the same period last fiscal year.
- Collections from the recordation tax (excluding the CIP portion and the rate premium) were \$21.6 million, an increase of 1.6% over last fiscal year.

Revenue Update

- **Transfer and Recordation Taxes (continued):**

- The increase in the transfer and recordation taxes is due an increase in residential transactions. While total recordation tax collections (excluding the CIP portion and the rate premium) increased 1.6%, collections from mortgage refinancing decreased 18.5%.
- The volume of transfers, not including condo conversions, was up 27.6% during the first half of FY10 compared to last fiscal year, and the volume of recordation tax transactions (excluding CIP portion and rate premium) was up 36.7% compared to the first half of fiscal year 2009.
- The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$60.9 million compared to \$58.4 million for the same period last year (↑4.3%).

Revenue Update

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$49.5 million, which were 2.4% below the first half of FY09.
- Fuel/energy tax collections totaled \$30.8 million and 0.1% above the same period in FY09. The meager growth is attributed mainly to weak consumption of electricity and natural gas by both non-residential and residential customers.
- Collections from the telephone tax were \$11.2 million and 4.0% below the previous fiscal year.
- Collections from the hotel/motel tax are 10.1% below the same period last year.
- Collections from the admissions tax were down 5.7% compared to the same period last year.

Revenue Update

- **Other Revenues:**

- Revenues from the County's pooled investment income were approximately \$719,000 through December of this fiscal year and 91.8% below the same period last year.
- Highway user revenues received to date were \$890,000 and 92.6% below the same period in FY09.

Revenue Summary Sheet

MAJOR REVENUE COLLECTIONS FISCAL YEAR 2010					
<u>TAXES :</u>	REPORTING PERIOD			VARIANCE FY10/FY09	PERCENT CHANGE
		FY10	FY09		
INCOME (1)	December	\$282,754,417	\$443,129,038	(\$160,374,621)	-36.2%
PROPERTY (General Fund)(2)	December	983,540,286	894,013,691	89,526,595	10.0%
TRANSFER (excl. condo conversion)	December	39,335,894	37,152,388	2,183,507	5.9%
RECORDATION (excl. CIP and Premium)	December	21,610,315	21,273,001	337,314	1.6%
FUEL/ENERGY	December	30,834,128	30,795,700	38,428	0.1%
HOTEL/MOTEL	December	6,841,308	7,610,252	(768,943)	-10.1%
TELEPHONE	December	11,228,047	11,690,507	(462,460)	-4.0%
ADMISSIONS	December	645,784	684,683	(38,898)	-5.7%
<u>MISCELLANEOUS :</u>					
INVESTMENT INCOME (Pooled Investment)	December	718,723	8,715,409	(7,996,686)	-91.8%
HIGHWAY USER	December	888,588	12,011,679	(11,123,091)	-92.6%
<u>TOTAL</u>		\$1,378,397,491	\$1,467,076,348	(\$88,678,856)	-6.0%

NOTES:

(1) Includes July distribution.

(2) Property Tax for General Fund includes adjustment for the income tax offset (rebate)

12-Feb-10